

Northam Platinum Limited  
(Incorporated in the Republic of South Africa)  
(Registration number 1977/003282/06)  
Share code: NHM, ISIN: ZAE 000030912  
("Northam" or "the group" or "company")

REVIEWED INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2015

|  | Reviewed<br>6 months<br>ending<br>31 December<br>2015<br>R'000 | Reviewed<br>6 months<br>ending<br>31 December<br>2014<br>R'000 | Audited<br>12 months<br>ending<br>30 June<br>2015<br>R'000 |
|--|--|--|--|
|--|--|--|--|

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  |             |             |             |
|--|-------------|-------------|-------------|
| Sales revenue  | 3 205 358   | 3 040 539   | 6 035 535   |
| Cost of sales  | (3 111 953) | (2 641 519) | (5 439 722) |
| Operating costs  | (2 373 038) | (2 081 641) | (4 342 571) |
| Concentrates purchased   | (238 977)   | (265 783)   | (602 395)   |
| Refining and other costs   | (69 954)    | (100 920)   | (199 470)   |
| Depreciation and write-offs  | (203 146)   | (210 028)   | (339 949)   |
| Change in metal inventories  | (226 838)   | 16 853      | 44 663      |
| Operating profit   | 93 405      | 399 020     | 595 813     |
| Share of (losses)/earnings from<br>associate and joint venture   | (11 615)    | 13 459      | 28 769      |
| Investment revenue   | 163 564     | 18 335      | 72 043      |
| Finance costs  | (459 672)   | (77 723)    | (245 937)   |
| Sundry income  | 127 001     | 191 518     | 268 250     |
| Sundry expenditure   | (77 805)    | (44 489)    | (1 587 264) |
| (Loss)/profit before tax   | (165 122)   | 500 120     | (868 326)   |
| Taxation   | (107 847)   | (143 808)   | (165 619)   |
| (Loss)/profit for the period   | (272 969)   | 356 312     | (1 033 945) |
| Other comprehensive income   |             |             |             |
| Items that may be subsequently<br>reclassified to profit or loss   | -           | (2 168)     | (4 482)     |
| Share of associate's exchange differences<br>on translating foreign operations and<br>foreign currency translation | -           | (2 168)     | (4 482)     |
| Total comprehensive income for<br>the period   | (272 969)   | 354 144     | (1 038 427) |
| (Loss)/profit attributable to:   |             |             |             |
| Owners of the parent   | (272 969)   | 354 608     | (1 035 649) |
| Non-controlling interest   | -           | 1 704       | 1 704       |
| (Loss)/profit for the period   | (272 969)   | 356 312     | (1 033 945) |
| Total comprehensive income attributable to:  |             |             |             |
| Owners of the parent   | (272 969)   | 352 440     | (1 040 131) |
| Non-controlling interest   | -           | 1 704       | 1 704       |
| Total comprehensive income for the period  | (272 969)   | 354 144     | (1 038 427) |
| Reconciliation of headline(loss)/<br>earnings per share information  |             |             |             |
| (Loss)/profit attributable to shareholders   | (272 969)   | 354 608     | (1 035 649) |
| Loss/(profit) on sale of property, plant and equipment   | 1 523       | (643)       | (892)       |

|   |             |             |             |
|---|-------------|-------------|-------------|
| Profit on sale of associate's assets and investment   | -           | (7 105)     | (7 105)     |
| Impairment of associate's assets  | -           | -           | 17 493      |
| Negative goodwill on assets acquired by associate   | -           | -           | (26 804)    |
| Foreign currency differences on repayment of long-term receivables from associates' foreign operations reclassified to profit or loss | -           | -           | (922)       |
| Impairment of property, plant and equipment   | -           | -           | 2 525       |
| Impairment of non-core assets   | 39 951      | 8 644       | 261 488     |
| Tax effect on above   | (426)       | (251)       | (5 097)     |
| Headline (loss)/earnings  | (231 921)   | 355 253     | (794 963)   |
| (Loss)/earnings per share - cents   | (78.0)      | 89.2        | (264.3)     |
| Fully diluted (loss)/earnings per share - cents   | (78.0)      | 89.2        | (264.3)     |
| Headline (loss)/earnings per share - cents  | (66.3)      | 89.4        | (202.9)     |
| Fully diluted headline (loss)/earnings per share - cents  | (66.3)      | 89.4        | (202.9)     |
| Dividends per share   | -           | -           | -           |
| Weighted average number of shares in issue  | 349 875 759 | 397 586 090 | 391 834 708 |
| Fully diluted number of shares in issue   | 349 875 759 | 397 586 090 | 391 834 708 |
| Number of shares in issue   | 509 781 212 | 397 586 090 | 509 781 212 |
| Treasury shares in issue  | 159 905 453 | -           | 159 905 453 |
| Shares in issue adjusted for treasury shares  | 349 875 759 | 397 586 090 | 349 875 759 |

|  |             |             |           |
|--|-------------|-------------|-----------|
|  | Reviewed    | Reviewed    | Audited   |
|  | 6 months    | 6 months    | 12 months |
|  | ending      | ending      | ending    |
|  | 31 December | 31 December | 30 June   |
|  | 2015        | 2014        | 2015      |
|  | R'000       | R'000       | R'000     |

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Assets

|   |            |            |            |
|---|------------|------------|------------|
| Non-current assets                        | 13 660 222 | 12 892 826 | 13 367 048 |
| Property, plant and equipment             | 7 317 097  | 6 440 526  | 7 065 352  |
| Mining properties and mineral resources   | 5 664 180  | 5 642 503  | 5 636 478  |
| Interest in associates and joint ventures | 231 138    | 495 275    | 275 847    |
| Unlisted investment                       | 6          | 6          | 6          |
| Land and township development             | 18 400     | 9 522      | 10 000     |
| Long-term receivables                     | 92 557     | 91 692     | 94 503     |
| Investments held by Northam Platinum      |            |            |            |
| Restoration Trust Fund                    | 89 990     | 47 397     | 49 092     |
| Environmental Guarantee Investment        | 59 522     | 52 884     | 52 122     |
| Buttonshope Conservancy Trust             | 11 018     | 10 859     | 11 037     |
| Deferred tax asset                        | 176 314    | 102 162    | 172 611    |
| Current assets                            | 4 153 965  | 1 915 014  | 5 784 288  |
| Inventories                               | 905 379    | 1 107 533  | 1 126 550  |
| Trade and other receivables               | 341 416    | 557 609    | 498 854    |
| Cash and cash equivalents                 | 2 906 354  | 241 991    | 4 138 189  |
| Tax receivables                           | 816        | 7 881      | 20 695     |
| Total assets                              | 17 814 187 | 14 807 840 | 19 151 336 |

Equity and liabilities

|                            |             |            |             |
|----------------------------|-------------|------------|-------------|
| Total equity               | 8 943 456   | 11 692 108 | 9 216 425   |
| Stated capital             | 13 778 114  | 9 178 688  | 13 778 114  |
| Treasury shares            | (6 556 123) | -          | (6 556 123) |
| Retained earnings          | 866 839     | 2 530 928  | 1 139 808   |
| Equity settled share based |             |            |             |

|  |            |            |            |
|--|------------|------------|------------|
| payment reserve                                    | 874 448    | -          | 874 448    |
| Share of other comprehensive income from associate | (19 822)   | (17 508)   | (19 822)   |
| Non-current liabilities                            | 7 772 836  | 2 130 476  | 7 310 753  |
| Deferred tax liability                             | 543 398    | 528 529    | 521 452    |
| Long-term provisions                               | 215 920    | 148 747    | 187 217    |
| Preference share liability                         | 6 931 596  | -          | 6 492 655  |
| Long-term loans                                    | 38 063     | 41 867     | 39 963     |
| Long-term share based payment liability            | 43 859     | 41 333     | 69 466     |
| Domestic medium-term notes                         | -          | 1 370 000  | -          |
| Current liabilities                                | 1 097 895  | 985 256    | 2 624 158  |
| Current portion of long-term loans                 | 3 801      | 3 801      | 3 801      |
| Short-term share based payment liability           | 20 049     | 45 607     | 61 019     |
| Domestic medium-term notes                         | -          | -          | 1 370 000  |
| Bank overdraft                                     | -          | 6 207      | -          |
| Tax payable  | 117 497    | 110 488    | 102 072    |
| Trade and other payables                           | 817 886    | 691 010    | 959 996    |
| Short-term provisions                              | 138 662    | 128 143    | 127 270    |
| Total equity and liabilities                       | 17 814 187 | 14 807 840 | 19 151 336 |

|  | Equity settled share based payment reserve | Comprehensive income from associate | Non-controlling interest | Total |
|--|--|-------------------------------------|--------------------------|-------|
|  | R'000                                      | R'000                               | R'000                    | R'000 |

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   |             |             |         |          |         |             |
|---|-------------|-------------|---------|----------|---------|-------------|
| Balance as at 30 June 2014                | 9 178 688   | 2 223 135   | -       | (15 340) | 5 389   | 11 391 872  |
| Total comprehensive income for the period | -           | 354 608     | -       | (2 168)  | 1 704   | 354 144     |
| Profit for the period                     | -           | 354 608     | -       | -        | 1 704   | 356 312     |
| Other comprehensive income for the period | -           | -           | -       | (2 168)  | -       | (2 168)     |
| Dividends declared*                       | -           | -           | -       | -        | (3 908) | (3 908)     |
| Acquisition of non-controlling interest   | -           | (46 815)    | -       | -        | (3 185) | (50 000)    |
| Balance as at 31 December 2014            | 9 178 688   | 2 530 928   | -       | (17 508) | -       | 11 692 108  |
| Issue of new shares                       | 4 599 426   | -           | -       | -        | -       | 4 599 426   |
| Treasury shares                           | (6 556 123) | -           | -       | -        | -       | (6 556 123) |
| Share based payment reserve               | -           | -           | 874 448 | -        | -       | 874 448     |
| Total comprehensive income for the period | -           | (1 391 120) | -       | (2 314)  | -       | (1 393 434) |
| Loss for the period                       | -           | (1 391 120) | -       | -        | -       | (1 391 120) |
| Other comprehensive income for the period | -           | -           | -       | (2 314)  | -       | (2 314)     |
| Balance as at 30 June 2015                | 7 221 991   | 1 139 808   | 874 448 | (19 822) | -       | 9 216 425   |
| Total comprehensive income for the period | -           | (272 969)   | -       | -        | -       | (272 969)   |
| Loss for the period                       | -           | (272 969)   | -       | -        | -       | (272 969)   |
| Other comprehensive income for the period | -           | -           | -       | -        | -       | -           |

|                  |           |         |         |          |   |           |
|------------------|-----------|---------|---------|----------|---|-----------|
| Balance as at    |           |         |         |          |   |           |
| 31 December 2015 | 7 221 991 | 866 839 | 874 448 | (19 822) | - | 8 943 456 |

\* Non-controlling interest's portion of dividends declared by entities within the group.

|  | Reviewed<br>6 months<br>ending<br>31 December<br>2015<br>R'000 | Reviewed<br>6 months<br>ending<br>31 December<br>2014<br>R'000 | Audited<br>12 months<br>ending<br>30 June<br>2015<br>R'000 |
|--|--|--|--|
|--|--|--|--|

#### INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

|   |             |           |             |
|---|-------------|-----------|-------------|
| Cash flows from operating activities                                    | 684 374     | 55 451    | 340 950     |
| (Loss)/profit before taxation   | (165 122)   | 500 120   | (868 326)   |
| Adjusted for the following non cash items                               |             |           |             |
| Depreciation and write offs   | 203 146     | 210 028   | 339 949     |
| Change in provisions  | 6 195       | 15 226    | 52 823      |
| Change in long-term receivables   | 1 946       | 2 355     | (456)       |
| Interest expense  | 29 258      | 77 723    | 145 170     |
| Finance charges on the preference shares                                | 430 414     | -         | 100 767     |
| Liquidity fees on the preference shares                                 | 8 527       | -         | -           |
| Equity settled share based payment expense                              | -           | -         | 874 448     |
| Movement in share based payment liability                               | (66 577)    | (81 972)  | (38 350)    |
| Impairment of investment in associates                                  | 39 951      | -         | 239 054     |
| Share of losses/(profits) from associate                                | 11 615      | (13 459)  | (28 769)    |
| Other   | 2 822       | 9 867     | 920         |
| Change in working capital   | 236 499     | (529 972) | (221 248)   |
| Taxation paid   | (54 300)    | (134 465) | (255 032)   |
| <br>  |             |           |             |
| Cash flows utilised in investing activities                             | (515 051)   | (352 196) | (1 101 462) |
| Property, plant, equipment, mining properties and mineral reserves      |             |           |             |
| Additions to maintain operations  | (184 746)   | (160 484) | (322 980)   |
| Additions to expand operations  | (299 760)   | (191 899) | (779 068)   |
| Disposal proceeds   | 391         | 2 451     | 1 551       |
| Land and township development   |             |           |             |
| Additions to maintain operations  | (9 978)     | (1 407)   | (1 088)     |
| Disposal proceeds   | 1 578       | 2 089     | 885         |
| Investment in associate - cash distributed                              | -           | -         | 12 918      |
| Additional investment made in associate                                 | (8 157)     | -         | (9 623)     |
| Increase in investments held by Northam Platinum Restoration Trust Fund | (6 998)     | (929)     | (2 624)     |
| Increase in investments held by Environmental Guarantee investment      | (7 400)     | (1 860)   | (1 098)     |
| Movement in investment held in Buttonshope Conservancy Trust Fund       | 19          | (157)     | (335)       |
| Cash flows (utilised)/generated from financing activities               | (1 401 158) | (133 527) | 4 232 645   |
| Proceeds from issue of shares   | -           | -         | 4 600 000   |
| Transaction costs   | -           | -         | (574)       |
| Liquidity fees paid   | -           | -         | (163 903)   |
| Acquisition of non-controlling interest                                 | -           | (50 000)  | (50 000)    |
| Finance charges paid  | (29 258)    | (77 723)  | (145 170)   |
| Dividends paid  | -           | (3 908)   | (3 908)     |

|  |             |           |           |
|--|-------------|-----------|-----------|
| Decrease in long-term loans                              | (1 900)     | (1 896)   | (3 800)   |
| Domestic medium-term notes repaid                        | (1 370 000) | -         | -         |
| (Decrease)/increase in cash and cash equivalents         | (1 231 835) | (430 272) | 3 472 133 |
| Cash and cash equivalents at the beginning of the period | 4 138 189   | 666 056   | 666 056   |
| Cash and cash equivalents at the end of the period       | 2 906 354   | 235 784   | 4 138 189 |

#### Preparation

These reviewed interim results have been prepared under the supervision of the chief financial officer, Mr AZ Khumalo CA (SA).

#### Auditor Review

The financial results of the group have been reviewed by Ernst & Young Inc., under the supervision of Mr M Herbst CA (SA), a registered auditor. A copy of their unmodified reviewed report is available for inspection at Northam's registered office.

#### Accounting policies - basis of preparation

The financial statements have been prepared on the historical cost basis, except for financial instruments that are stated at fair value. The group interim financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, presentation and disclosures as required by IAS 34 Interim Financial Reporting, the JSE Listings Requirements and the requirements of the Companies Act No. 71 of 2008, and incorporates the accounting policies which are consistent with those adopted in the financial year ended 30 June 2015.

There have been no amendments, standards or interpretations impacting the group which became effective for the year beginning 1 July 2015.

#### Related parties

The group enters into various sales, purchase, financing and lease transactions in the ordinary course of business with a large number of entities, some of which are related parties.

#### Going concern

Mining operations have a finite life and are also dependent amongst other things on geological, technical as well as economic factors such as commodity prices and exchange rates. The global economic outlook and low US dollar metal prices are a concern as Northam is an exporter of Platinum Group Metals (PGMs) to global markets. Operations continue to be under pressure due to increasing input costs (mainly power and labour) and lower metal prices.

In the current cycle of low PGM US dollar metal prices, operations are under pressure to remain viable. Management has undertaken initiatives to improve efficiency and to reduce costs as far as possible and where necessary has engaged external experts to assist. Based on the said interventions, management is of the opinion that the group remains a going concern despite the current difficult operating conditions.

#### Events after the reporting period

On 5 February 2016 shareholders were advised by way of a SENS announcement that Northam had entered into a subscription agreement with the Industrial Development Corporation of South Africa Limited (IDC) in terms of which the IDC has agreed to subscribe for new domestic medium-term notes amounting to R250.0 million at a rate of the three month Jibar plus 390 basis points. Apart from this matter, there have been no other events subsequent to the period end which require additional disclosure or adjustment to these interim financial results.

#### OPERATING, PRODUCTION AND FINANCIAL STATISTICS

| 6 months<br>ending<br>31 December<br>2015<br>R'000 | 6 months<br>ending<br>31 December<br>2014<br>R'000 | 12 months<br>ending<br>30 June<br>2015<br>R'000 |
|--|--|---|
|--|--|---|

## NORMALISED EARNINGS

|  |             |             |             |
|--|-------------|-------------|-------------|
| (Loss)/profit for the period per the statement of comprehensive income | (272 969)   | 356 312     | (1 033 945) |
| Less: non-controlling interest   | -           | (1 704)     | (1 704)     |
| (Loss)/profit attributable to the owners of the parent                 | (272 969)   | 354 608     | (1 035 649) |
| Add back: Corporate action transactional costs                         | -           | -           | 172 640     |
| Net lock-in fee  | -           | -           | 242 429     |
| Impairment of non-core assets  | 39 951      | -           | 261 488     |
| IFRS 2 BEE share based payment charge                                  | -           | -           | 874 448     |
| Preference share dividends accounted for as interest                   | 430 414     | -           | 100 767     |
| Normalised earnings  | 197 396     | 354 608     | 616 123     |
| Normalised earnings per issued share (cents)                           | 38.7        | 89.2        | 120.9       |
| Number of shares in issue including treasury shares                    | 509 781 212 | 397 586 090 | 509 781 212 |

|  | 6 months<br>ending<br>31 December<br>2015<br>R'000 | 6 months<br>ending<br>31 December<br>2014<br>R'000 | 12 months<br>ending<br>30 June<br>2015<br>R'000 |
|--|--|--|---|
|--|--|--|---|

## VALUE CREATED AND DISTRIBUTED

|   |           |           |           |
|---|-----------|-----------|-----------|
| Value created and distributed to employees  |           |           |           |
| Salaries and wages                          | 747 652   | 687 916   | 1 441 799 |
| Contributions to retirement benefit funds   | 63 040    | 57 765    | 114 565   |
| Contributions to healthcare funds           | 32 806    | 32 587    | 66 074    |
| Share based payment payouts                 | 48 868    | 52 972    | 74 386    |
|   | 892 366   | 831 240   | 1 696 824 |
| Value created and distributed to government |           |           |           |
| Mining and non-mining tax                   | 89 604    | 123 464   | 135 762   |
| Dividend withholding tax                    | -         | -         | 12 447    |
| Capital gains tax                           | -         | -         | 74 592    |
| Royalty taxes                               | 23 017    | 44 949    | 39 986    |
| Pay as you earn deducted from employees     | 157 976   | 140 854   | 277 861   |
|   | 270 597   | 309 267   | 540 648   |
| Total value created and distributed         | 1 162 963 | 1 140 507 | 2 237 472 |

## RESULTS COMMENTARY

### FINANCIAL OVERVIEW - CONSOLIDATED GROUP

#### Revenue

Revenue generated from sales increased by 5.4% to R3.2 billion (H1 F2015: R3.0 billion), reflecting the group's increasing sales volumes. Sales volumes were 19.3% higher, at 7 716kg or 248 075oz (H1 F2015: 6 468kg; 207 951oz).

The lower basket price received of R415 196/kg (H1 F2015: R469 740/kg) reflects the significant decline in the PGM US\$ basket price realised which was offset to some extent by the 23.6% weakening of the ZAR against the US dollar.

From 1 June 2015, concentrate production from Booyssendal has been sold to Zondereinde at 88% of the market related price. On a group basis, revenue is generated by Northam as all sales between Booyssendal and Zondereinde eliminate on consolidation. Previously, Booyssendal sold its final product directly to customers.

#### Cost of sales and operating costs

The cost of sales increased by 17.8% to R3.1 billion (H1 F2015: R2.6 billion), in correlation with the increase of 19.3% in volumes sold. Group operating costs increased by 14.0% to R2.4 billion (H1 F2015: R2.1 billion). However, overall costs were well contained, with the rise in group unit cash costs increasing

only 0.3% to R340 274/kg (H1 F2015: R339 129/kg). The significant contributors to cost increases were labour, electricity and general mining inflation. Included in the operating costs are smelting and base metal removal plant costs which, when combined with refining costs, recorded a marginal increase compared to H1 F2015. Royalty charges have decreased due to the lower profits earned in the current period compared to H1 F2015. Also included in the change in metal inventories are metals on hand that were written down by R186.5 million (H1 F2015: R63.3 million) to net realisable value as a result of depressed PGM prices during the period under review.

#### Operating profit

As a result of the above, the group operating margin decreased from 13.1% to 2.9% which resulted in the operating profit declining to R93.4 million (H1 F2015: R399.0 million). Zondereinde generated an operating profit of R50.0 million (H1 F2015 R279.4 million) whilst Booyensdal made an operating profit of R43.3 million (H1 F2015: R119.4 million) with the balance relating to the operating profit made on the sale of houses in Norplats Properties Proprietary Limited.

#### Share of losses from associates, interest and finance costs as well as sundry income and expenditure

The share of losses from associates declined to a loss of R11.6 million (H1 F2015: profit of R13.5 million). Northam's share of losses in the Pandora joint venture and in Trans Hex Group Limited amounted to R7.2 million (H1 F2015: R5.1 million) and R4.4 million (H1 F2015 profit of R18.6 million) respectively. Management continues to assess its options regarding Northam's holdings in both these investments.

Investment revenue rose to R163.6 million (H1 F2015 R18.3 million). This is associated with interest earned on higher cash balances resulting from the BEE transaction concluded in May 2015, as well as interest received on an insurance contingency policy.

Finance costs of R459.7 million (H1 F2015: R77.7 million) were incurred owing to the non-cash finance charge resulting from the structuring of the BEE transaction in terms of which dividends associated with the Zambezi Platinum (RF) Limited (Zambezi Platinum) preference shares are consolidated into the group financial statements of Northam. The Zambezi Platinum preference shares accrue a cumulative variable dividend at the South African prime interest rate plus 3.5% per annum. The accrued dividends are recognised as a finance charge. The finance costs associated with the preference shares for the six month period under review amounted to R430.4 million (H1 F2015: Rnil). The domestic medium-term debt notes (DMTN) of R1.4 billion were repaid on 3 September 2015.

Sundry income of R127.0 million (H1 F2015: R191.5 million) includes a cash amount of R59.6 million received on the cancellation of the insurance contingency policy as mentioned above. Accounted for in the comparable H1 F2015, was an insurance refund of R150.0 million relating to the No. 1 shaft incident. Sundry income was also impacted by the ZAR currency translation which increased from R7.8 million during H1 F2015 to R28.8 million.

Sundry expenditure increased by 74.9% from R44.5 million to R77.8 million. Included in sundry expenditure was the impairment of the investment in the Pandora joint venture of R34.7 million as well as an impairment of the investment in Trans Hex Group Limited amounting to R5.3 million.

In addition, care and maintenance costs of R12.9 million were incurred at the Everest plant acquired from Aquarius Platinum (South Africa) Proprietary Limited (AQPSA). Sundry expenditure also includes the amortisation of liquidity fees payable on the BEE transaction concluded in the prior year (a liquidity fee of 2.5% was paid to the Public Investment Corporation SOC Limited and Coronation Asset Management Proprietary Limited) on the full value of the preference shares. The liquidity fee, which was classified as a transaction cost in terms of IAS 39 and included in the initial measurement of the financial liability, is amortised over the 10 year lock-in period of the preference shares. The amortisation of R8.5 million is included in sundry expenditure and relates to the said liquidity fee.

#### Taxation

Tax payable is lower than the comparable period owing to the lower profits achieved. Taxation consists of non-mining tax of R81.7 million accrued mainly on interest earned. Deferred tax was raised on all temporary

differences resulting in a tax charge of R18.2 million.

#### Cash flow movements

Cash flow generated from operating activities rose to R684.4 million (H1 F2015: R55.5 million), largely as a result of the movement in working capital. The working capital movement amounted to a positive inflow of R236.5 million compared with the negative outflow of R530.0 million in the previous period. Contributing to the positive movement in working capital was Value Added Tax of R187.7 million, (part of which had been outstanding since April 2014), refunded by the South African Revenue Service during the period under review. Metal debtors also declined by some R52.1 million due to the lower metal prices achieved during the current period.

Cash flows utilised in investing activities were up 46.2% from R352.2 million to R515.1 million. The increase relates primarily to the increase in expansionary capital on the following projects: R41.5 million spent on employee accommodation both at Zondereinde and Booyensdal; R37.3 million on the Merensky feasibility project at Booyensdal UG2 North mine; R65.2 million on the acquisition of the Everest mineral reserves and costs relating to the development of Booyensdal South mine; and R150.6 million on the completion of the capital footprint at Booyensdal UG2 North mine.

Cash flows utilised in financing expenditure increased significantly from R133.5 million in H1 F2015 to R1.4 billion owing to the repayment of the DMTN during September 2015. Excluding the repayment of the DMTN, the group generated net positive cash in-flows of R138.2 million for the six month period ended 31 December 2015.

#### OPERATIONS

##### Zondereinde

##### Health and safety

Zondereinde recorded four million fatality-free shifts during the reporting period, a commendable performance at any operation, and particularly at a deep-level mine like Zondereinde. The lost time injury rate was higher at 1.67 injuries per 200 000 hours worked (30 June 2015: 1.31) and the reportable injury rate was 1.02 (30 June 2015: 0.94). Operational management is focused on reducing both the number and severity of injuries through interventions involving employees, their representatives and operational structures.

##### Production

Merensky reef tonnes milled were 433 572 tonnes (H1 F2015: 431 714 tonnes) at a head grade of 5.8g/t, whilst the UG2 reef contributed 619 044 tonnes (H1 F2015: 556 399 tonnes) at a head grade of 4.2g/t. The combined head grade for the period was 4.9g/t (H1 F2015: 5.0g/t), illustrating the effect of the higher UG2 contribution.

Production of equivalent refined metal increased by 15.4% to 4 823kg (H1 F2015: 4 179kg). The quantities of purchased concentrates from third parties decreased slightly to 609kg (H1 F2015: 622kg).

Mining flexibility on the Merensky reef horizon remains constrained. Increased production from the UG2 horizon is expected to partially compensate for the Merensky constraints until the deepening section is completed. The rebalancing of the Merensky/UG2 mining mix to a 40:60 ratio has resulted in the life of Zondereinde increasing to 21 years.

##### Costs and capital expenditure

The total operating costs at Zondereinde for the period were R1.7 billion (H1 F2015: R1.5 billion) which represents a 10.1% rise in costs. The rise in aggregate operating costs reflects primarily increased production volumes which has resulted in lower unit cash costs of R342 288/kg (H1 F2015: R358 104/kg), an improvement of 4.4%.

Management has adopted a cautious approach to capital expenditure in order to preserve cash resources. This does not mean that essential and strategic development will not be done. The total capital expenditure for the period was R161.9 million, comprising R33.2 million and R128.7 million for expansionary and sustaining capital respectively. We anticipate spending a further R570.0 million for the remainder of the year.



#### Processing and refining

In line with our objective of adding smelter capacity and progressively reducing the group's operating risk, work has started on the building of a new furnace. The total cost of the project is expected to be R750.0 million and it is expected to be commissioned by December 2017.

This expansion work follows on the extension of Northam's strategic partnership with Heraeus Deutschland GmbH & Co. KG (Heraeus) and Heraeus South Africa Proprietary Limited in terms of which Heraeus has agreed to contribute EURO 20.0 million to the construction of the furnace. The agreement also provides for the renewal of the current toll refining agreements and guarantees supply of material to Heraeus.

#### Booysendal

##### Health and safety

The Booysendal mine recorded 2 million fatality free shifts on 17 September 2015.

The lost time injury rate (per 200 000 hours worked) improved to 0.52 (30 June 2015: 0.54) whilst the reportable injury rate (per 200 000 hours worked) was marginally higher at 0.43 (30 June 2015: 0.41).

The mechanised mining method continues to be a significant safety differentiator.

##### Production

Production at Booysendal during the reporting period was affected by sporadic community protests during the period.

A total of 985 727 tonnes were milled at a head grade of 2.7g/t compared to 929 262 tonnes at a head grade of 2.6g/t during the comparable period.

Having been in ramp-up phase since July 2013, the Booysendal UG2 North achieved its steady-state run rate of 160 000oz per annum within the reporting period.

The Merensky project at Booysendal North advanced satisfactorily with the development of the access decline and the extraction of a bulk sample for metallurgical test work. This test work is expected to be completed early in the second half of the financial year.

##### Costs and capital expenditure

The total operating costs at Booysendal for the period were R667.4 million (H1 F2015: R531.6 million). This increase of 25.6% is attributed mainly to the higher production volumes and mining contract rates. The rand per tonne milled for the period is in line with expectations at R661/t.

Total capital expenditure during this period has been R55.5 million and R266.6 million for sustaining and expansionary capital respectively. Capital expenditure for the remainder of F2016 is likely to absorb a further R205.6 million.

The unit cash cost of metal in concentrate at R291 772/kg (H1 F2015: R251 914/kg) is now a more realistic reflection of the operating costs at Booysendal following the completion of the ramp-up to steady state levels.

#### CORPORATE ACTION

R50.0 million was paid to AQPSA for the Everest mining right when the Section 11 consent was granted by the Minister of Mineral Resources during the period.

In September 2015, Northam signed a heads of agreement with Heraeus, in terms of which Heraeus will contribute Euro 20.0 million to the construction of a 20MW furnace at the Zondereinde smelter complex. This amount will be payable in two equal tranches, the first in June 2016 and the other in June 2017. Northam will pay a research and development fee of R9.2 million per annum for 20 years beginning in the current financial year.

#### MINERAL RESOURCES AND RESERVES

The process of estimating the group's mineral resource and reserve is conducted on an annual basis. The latest mineral resource and reserve estimation is included in the 2015 annual integrated report, which was published in September 2015 and is available on the company's website.

#### CHANGES TO THE BOARD OF DIRECTORS

Mr R Havenstein took over from Mr AR Martin as lead independent director on 18 August 2015.

Mr BK Mosehla was appointed as a non-executive director on 19 August 2015.

Mr ME Beckett retired as a director on 11 November 2015.

Ms HH Hickey and Mr TI Mvusi's appointments as independent non-executive directors, effective 1 January 2016, were announced on 11 December 2015. Ms Hickey is also a member of the audit and risk committee.

#### PROSPECTS\*

The outlook for the PGM industry remains challenging with persistent weak metal prices and poor economic fundamentals in developed economies. The group's financial performance will depend on achieving higher metal prices and a stable operating performance. Despite the adverse market conditions, Northam's strong balance sheet and prudent financial controls will enable the company to continue with strategic project development which will position the company to benefit from improving market conditions in the future.

\* Not audited or reviewed by the group's auditors.

#### DIVIDEND

Given the continuing difficult conditions in the mining industry, and the cash requirements for the development of the group's assets, the board has resolved not to declare an interim dividend for H1 F2016 (H1 F2015: Rnil cents per share).

On behalf of the board

PL Zim  
Chairman  
Johannesburg  
17 February 2016

PA Dunne  
Chief executive

#### Directors

PL Zim (non-executive chairman), R Havenstein (lead independent), PA Dunne (chief executive officer) (British), AZ Khumalo (chief financial officer), CK Chabedi, HH Hickey, TE Kgosi, AR Martin, KB Mosehla and TI Mvusi

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#### Company secretary

Ms PB Beale

#### Transfer secretaries

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70 Marshall Street, Johannesburg, 2001, South Africa  
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#### Sponsor

One Capital  
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PO Box 784573, Sandton, 2146, South Africa

These results are disclosed in greater detail than has been disclosed in the past, including segmental analyses, breakdown of sales and costs, amongst other metrics. These appear in the reviewed interim results booklet, which is available on the Northam website at [www.northam.co.za](http://www.northam.co.za) and at Northam's registered office.

Johannesburg  
26 February 2016

Sponsor  
One Capital